



Gridley & Company LLC
Matching buyers, sellers and capital sources

Considerations in Doing a Transaction

Tips for Selling, Buying, and Raising Capital



Gridley & Company LLC is pleased to publish a guide on transaction considerations for you. It is important for you to have a clear sense of your transaction at every step of the process. A strategic transaction can be very time-consuming, so it makes sense to have professional help. And, all transactions have points of difficulty so make sure your investment banker is someone you can trust.

Gridley has an indisputable track record for successful transaction execution across all sectors of the information services industry. We have a broad network of industry relationships that we have developed over 25 years of experience in the investment banking industry. We use this network on behalf of our clients to gain invaluable insights into effective positioning, diligence, valuation, and negotiation for a particular transaction. Our goal is to be a "trusted strategic advisor" to our clients and to treat their brand as our brand in the marketplace. We are careful and considerate in our approach and view every transaction that we do as an opportunity to make a strategic statement to the market. We are not simply in the "tombstone building" game.

We hope this short presentation is helpful to you. Please call us if you would like to discuss this further.

**Linda Gridley
President & CEO
linda.gridley@gridleyco.com
212-400-9710**

**Gridley & Company LLC
10 E. 53rd Street, 24th Floor
New York, NY 10022**



**Pratik Patel
Vice President
pratik.patel@gridleyco.com
212-400-9712**

General Transaction Considerations

Questions to consider for any transaction:

- Management and Shareholder Objectives (Price, Ongoing Involvement Post Transaction, etc.)
- Purchase Price and Valuation Methodology
- Form of Consideration (Cash vs. Stock)
- Transaction Structure (Asset vs. Stock Transaction)
- Potential Effect on Customer Relationships
- Type of Process (Exclusive Negotiation, Limited Auction, Full Auction)
- Timing of a Transaction
- Role of Outside Advisors
- Tax Considerations
- Potential Legal Considerations
- Change of Control Provisions

Sell-Side Considerations

- **Pay attention to market trends**
 - Industry trends and buyer appetite can change quickly; don't miss your chance
 - Get to know buyers and bankers early
 - You have likely spent lots of time and energy building your business; give the process of how and when you sell it the careful consideration it deserves
 - Don't wait until it's time to sell
- **Don't be last in line**
 - Being the “me too” seller weakens your position
- **Growth and margins matter**
 - A balance between the two will likely result in optimal valuation
- **Not all strategic buyers are alike**
 - “Fit” is a challenging question
 - Post deal culture and opportunities may be very important not only to you, but to your employees



Ways to Affect the Value of Your Company Before the Sale Date

- **Surround yourself with an experienced, broad management team capable of running the business without you**
- **Position your company effectively in the market place**
- **Stay focused on your core business mission, straying too far from the core offering frequently has negative implications**
- **Maintain sustainable product differentiation at all expense**
- **Evaluate the proper time to sell in order to meet both your business and personal objectives**
- **Consider making complementary, strategic acquisitions that help grow and diversify your business**
- **Establish a Board of Directors / Advisory Board**
- **Choose advisors that are knowledgeable, trusted, and respected in order to get the deal done efficiently**

Types of Sell-Side Processes

Process	Advantages	Disadvantages	Relevant Situation
<p><u>Full Scale Auction</u></p> <ul style="list-style-type: none"> • Contact broad number of potential buyers • Highly structured process: <ul style="list-style-type: none"> – Disseminate information – Solicit bids – Negotiate purchase contracts 	<ul style="list-style-type: none"> • Maximize value through competition • Broadest cross-section of potential buyers • Structured process increases seller's ability to compare and evaluate all bids on the same basis and timetable 	<ul style="list-style-type: none"> • Typically lengthiest and most complex process • Typically requires public disclosure of process if public company • Broad dissemination of seller information • Loss of credibility if process does not result in transaction • Some buyers may refuse to participate in auctions 	<ul style="list-style-type: none"> • Seller is attractive to moderate to large number of potential buyers • Most likely or preferred buyer is not readily identifiable • Public or internal disclosure to employees, customers, and others is not problematic • No significant due diligence problems • Seller is committed to process and outcome of sale
<p><u>Limited Auction</u></p> <ul style="list-style-type: none"> • Contact carefully selected number of buyers • Highly structured process: <ul style="list-style-type: none"> – Disseminate information – Solicit bids – Negotiate purchase contracts 	<ul style="list-style-type: none"> • Maximize value through competition among limited buyers • Limited distribution of confidential information • Structured process increases seller's ability to compare and evaluate all bids on the same basis and timetable 	<ul style="list-style-type: none"> • May not maximize value if certain buyers are excluded • May be a lengthy and complex process • Potential loss of credibility if process does not result in satisfactory outcome • Some buyers may want one-to-one exclusivity 	<ul style="list-style-type: none"> • Seller is attractive to moderate to large number of potential buyers • Most likely or preferred buyers are readily identifiable • Seller seeks competitive sales process but wants to maintain confidentiality of process and seller information
<p><u>Exclusive With Single Buyer</u></p> <ul style="list-style-type: none"> • Exclusive discussions with a single (or very limited number of buyers) • Highly customized process to meet the desire of seller and buyer 	<ul style="list-style-type: none"> • Often most direct process which minimizes time and other requirements on seller • Maximizes confidentiality • Maintains flexibility to pursue other alternatives if unsuccessful 	<ul style="list-style-type: none"> • Lack of competitive process may result in less than maximum value • Greater possibility of no transaction outcome • Process can be longer if it needs to be restarted 	<ul style="list-style-type: none"> • Preferred buyer is readily identifiable • Confidentiality is critical • Seller seeks to complete a transaction ASAP • Significant due diligence problems require a heavily negotiated or structured transaction

Buy-Side Considerations

- **Don't just look at what's for sale**
 - A more thorough review of the competitive landscape will ensure that you make the "right choice" at the "right price"
 - You might find a diamond in the rough or confirm the need to pay a premium for the market leader
 - If you have a compelling strategic story, you will have willing listeners
- **Know what's important to you for growth**
 - Ask yourself the “build / partner / acquire” question while considering timing, market trends, and valuations
 - Do you really want to acquire the #10 company on a list of 10?
 - Understand the need for and role of a potential acquisition's management team and their ability to meet your objectives and goals
- **Valuation depends on CEO expectations and money invested**
 - Be aware of all the relevant parties in your discussions
- **Sometimes it's worth paying more for quality and proven execution**

Private Equity Financing

For the CEO:

- **When pitching, know your audience and understand what they are looking for**
 - Obvious: addressable market, defensible product, and passionate team
 - Not obvious / case-by-case: PE firm investing in new sector, emphasis on domestic vs. international growth, synergies with current portfolio, etc.
- **Make sure you have conducted *your* due diligence on *them***
- **Know what you are trading in exchange for the money**
- **High valuation and biggest dollar amount isn't everything**
 - What else can the firm bring? Strategy advice? Blue-chip customers?
- **Higher valuation can actually be a bad thing**
 - A higher valuation = investors aiming for higher exit
- **You don't just get cash, you get a new family member**

Private Equity Financing

For the investor:

- **Understand the competitive landscape, not just from the company and competitors' perspective but also the customers' viewpoint**
- **Gain a very clear sense of the particular market and the trends**
 - Is the market overheated? Are valuations too high?
- **Quality opportunities are highly competitive, especially when everyone is trying to put money to work**
- **Be careful what you put in – will need to get it out (and more)**



The Gridley Approach

- **Quality execution – your brand is our brand when we are in the market**
- **Thoughtful, strategic approach to maximize interest and valuation**
- **Experienced bankers ensure transaction success – bulge bracket trained bankers with intimacy of boutique environment**
- **Long-term information services industry focus provides competitive advantage to our clients**
 - Extensive network of industry relationships offers insights on due diligence and transaction positioning, as well as access to buyers, sellers, and investors
 - Long-term knowledge of industry sectors helps to provide the right strategic advice, not simply to add another tombstone
- ***We leave no client behind* – our goal is to have 100% reference-ready clients, even with the deals that don't get done**

Selected Recent Gridley Transactions

- Gridley clients include industry leaders and premier emerging growth companies
- Gridley provides strategic advisory work in addition to the transactions listed below

<p>Undisclosed</p> <p>digitaria</p> <p>Acquired by WPP Group plc Advisor</p> <p></p>	<p>Undisclosed</p> <p> gsi commerce*</p> <p>Acquired FetchBack Inc. Advisor</p> <p></p>	<p>Undisclosed</p> <p> gsi commerce*</p> <p>Acquired M3 Mobile Marketing Advisor</p> <p></p>	<p>Undisclosed</p> <p> CommuniFX</p> <p>Acquired by MDC Partners Inc. Advisor</p> <p></p>	<p>Undisclosed</p> <p> gsi commerce*</p> <p>Acquired Pepperjam Advisor</p> <p></p>	<p>Undisclosed</p> <p> gsi commerce*</p> <p>Acquired Silverign Group Inc. Advisor</p> <p></p>	<p>\$20,000,000</p> <p>aventa WORLDWIDE</p> <p>Investment by TZP Group LLC Placement Agent</p> <p></p>
<p>\$367,000,000</p> <p> CBORD®</p> <p>Acquired by Roper Industries, Inc. Advisor</p> <p></p>	<p>\$157,000,000</p> <p> gsi commerce*</p> <p>Acquired e-Dialog, Inc. Advisor</p> <p></p>	<p>Undisclosed</p> <p> Yankelovich</p> <p>Acquired by WPP Group plc Advisor</p> <p></p>	<p>Undisclosed</p> <p> PassGo</p> <p>Acquired by Quest Software Advisor</p> <p></p>	<p>Undisclosed</p> <p>Email Business of bluestreak DIGITAL MARKETING INNOVATION</p> <p>Sold to One to One Interactive, Inc. Advisor</p> <p></p>	<p>Undisclosed</p> <p>Ad serving Business of bluestreak DIGITAL MARKETING INNOVATION</p> <p>Sold to Aegis plc Advisor</p> <p></p>	<p>Undisclosed</p> <p> PRIMIS MARKETING GROUP</p> <p>Sold to Parthenon Capital LLC Advisor</p> <p></p>
<p>\$113,189,337</p> <p>Bankrate.com</p> <p>Secondary Offering</p> <p>Co-Manager</p> <p></p>	<p>\$17,450,000</p> <p>PrePay Intelligent Network Solutions (INS) Business Unit of Lightbridge</p> <p>Acquired by Verisign Issued Fairness Opinion</p> <p></p>	<p>Undisclosed</p> <p> CATALINA MARKETING Research Solutions</p> <p>Acquired by Schulman, Ronca, & Bucuvallas, Inc. Advisor</p> <p></p>	<p>Undisclosed</p> <p> DVC Sales</p> <p>Acquired by ISIS Equity Partners, Inc. Advisor</p> <p></p>	<p>\$138,000,000</p> <p>DIGITAS</p> <p>Acquired Modern Media, Inc. Advisor</p> <p></p>	<p>Undisclosed</p> <p> CATALINA MARKETING Direct Marketing Services</p> <p>Acquired by Valassis Communications Inc Advisor</p> <p></p>	<p>\$58,000,000</p> <p>DoubleClick</p> <p>Acquired Performics, Inc. Advisor</p> <p></p>
<p>Undisclosed</p> <p>Advisory Communications Systems, Inc. (ACS) d/b/a LAWPHONE</p> <p>Acquired by ARAG Group Advisor</p> <p></p>	<p>\$55,200,000</p> <p> SOURCE INTERLINK COMPANIES</p> <p>Follow-On Offering</p> <p>Co-Manager</p> <p></p>	<p>Undisclosed</p> <p>Marketing One to One, Inc. d/b/a Peppers & Rogers Group</p> <p>Acquired by Carlson Marketing Group Advisor</p> <p></p>	<p>Undisclosed</p> <p>FREQUENCY MARKETING CO.</p> <p>Acquired by Alliance Data Systems, Inc. Advisor</p> <p></p>			



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10 East 53rd Street, 24th Floor
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212.400.9720 tel
212.400.9717 fax
Twitter: @gridleyco
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